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IMMEDIATE PROSPECTS IN IRAN

General ~~Fazlollah~~ Zahedi, who became Iranian prime minister on 19 August after ousting Mohammed Mossadeq, appears to be establishing a moderate nationalist government. He faces most of the problems which ^{*were insoluble by*} Mossadeq ~~found insoluble~~, but his reputation for a realistic approach gives hope for internal political stability, and an improvement in the country's financial and economic situation.

Zahedi is moving rapidly to establish his control. Many new officials have been appointed. These include cabinet ministers, police and army officers and provincial governors, nearly all of whom served in the government previously. The new appointees are generally experienced and as capable as the average Iranian official.

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The shah and some other Iranians have expressed regret that new ^{faces have} ~~blood has~~ not been brought into the top ranks.

Zahedi has assumed the strategic ministerial posts of national defense, interior, foreign affairs, and post and telegraph. Apparently he is hoping to establish his regime without wholesale replacements of government officials, and with a minimum of force. Indications are that Zahedi opposes a blanket imposition of martial law, and has left the decision for establishing it up to local commanders. Chief of Staff Batmangelitch has clearly authorized drastic steps in the event of subversion.

Hussain Meftah, the former undersecretary in the Ministry of Foreign Affairs, has been appointed deputy foreign minister and has requested Iranian diplomatic missions abroad to function normally. Iranian diplomats in Rome and Baghdad

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have been dismissed. The ambassadors in Washington and Paris have resigned. However, Ambassador Saleh in Washington has been personally asked by General Zahedi to remain at his post.

When Zahedi firmly establishes his control, he is expected to take steps to convoke the Majlis, which Mossadeq illegally dismissed. The shah told Ambassador Henderson on 23 August, that he would call together the remaining deputies in order *formally* to dissolve the Majlis, and that elections for the new Majlis would be held in the Spring of 1954. It may be expected that in the new government, the army will again be able to play its traditional role in manipulating elections for the benefit of the conservatives.

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The Senate, which was abolished by the Mossadeq-controlled Majlis in October 1952, will probably be re-established; in fact former Senate members were reportedly meeting in special session and it is expected that they will be reconvened. However, the shah told Ambassador Henderson that he will call the Senate only after the new Majlis is elected.

The Tudeh party will be suppressed ruthlessly, although the shah has stated that no new laws are necessary to control it. Late reports from Tudeh sources suggest that the party has abandoned plans for an armed uprising at this time and will once more go underground.

The Tudeh organization is intact, although leaders of two front organizations have been arrested and the Tehran military governor has announced a campaign

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against the party. Reportedly, an understanding has been reached between the Tudeh and other pro-Mossadeq elements. They will work together against Zahedi. They reportedly plan to infiltrate royalist groups in order to incite them to intemperate acts and thus discredit the pro-shah forces. However, the threat to the government does not now appear great.

The allegiance of the tribes has not become completely clear. The important Qashqai tribe in southern Iran, which was a firm supporter of Mossadeq, has indicated that it will not cause trouble unless attacked by the Army. The equally powerful Bakhtiari has not made its position known; however, the Queen is the daughter of one of its chieftains. The tribes have never been able to act in concert and anti-government action by one or two of them might be troublesome but not dangerous.

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The most urgent problems on which the new government may be expected to stand or fall are economic and financial. Zahedi has pledged a solution of the Anglo-Iranian oil dispute; but he has also publicly stated that he will not grant the British any compensation. Hence, it is unlikely that an agreement will be reached easily. Both the prime minister and the shah would resist any attempt to negate the oil nationalization. Zahedi has been considered anti-British and in addition he cannot risk a quick solution favorable to Britain which would lay him open to charges of being a British stooge.

Assuming that the United States lends timely aid to the new regime, Iran will once again be oriented more toward the West than toward the Soviet Union. However, the Zahedi government may be expected to maintain friendly relations

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with the Soviet Union. Tehran ^{first} ~~has~~ announced that its negotiations with the Soviet Union ^{would be} ~~have been~~ temporarily postponed, ^{and later announced they would be held;} ~~however~~, Iran's interest in settling its differences with its northern neighbor still remains regardless of the group in power. Accordingly, the suspended negotiations ^{will} ~~may~~ be reopened if Moscow is willing. Under present circumstances ^{however,} it is unlikely that the two governments will be able to achieve any significant settlement. *continued*

Iranian-American relations can be expected to improve. Zahedi is understood to be pro-American and will probably facilitate the work of the military missions and the Point IV program as much as possible. His son has also been employed by Point IV in Tehran. Zahedi ^{has just} ~~will probably~~ request financial aid from the United States. The shah has ^{also} ~~already~~ announced that Iran needs immediate assistance and will accept it from any source.

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Iranian-British relations are not expected to undergo any sudden change.

Iran may offer to re-establish formal diplomatic relations as a prelude to opening oil discussions, but no close, friendly approach is expected until the oil dispute is settled.

If Zahedi can maintain his regime without establishing a military dictatorship, and if he retains the support of the shah, he is in a position to win the public backing necessary for achieving Iranian stability. His inability to restore Iran's oil revenues through a quick settlement with the British is a major handicap in his attempt to re-establish financial stability.

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